

Title 12—DEPARTMENT OF REVENUE
Division 10—Director of Revenue
Chapter 110—Sales/Use Tax—Exemptions

EMERGENCY AMENDMENT

12 CSR 10-110.200 Ingredient or Component Part Exemption, as Defined in Section 144.030, RSMo. The director proposes to amend the Title, and sections (1) and (4).

PURPOSE: This rule is being amended due to TAFP CCS HCS SB30, enacted by the 94th General Assembly, 2007.

*EMERGENCY STATEMENT: The director finds that there is an immediate danger to the public welfare, which can only be addressed through this emergency amendment. This emergency amendment is necessary to ensure public awareness and to preserve a compelling governmental interest requiring an early effective date in that the emergency amendment informs the public of new sales tax exemptions that are available to various sellers and their customers as a result of enactment of TAFP CCS HCS SB 30 by the 94th Missouri General Assembly. These exemptions are effective August 28, 2007, and taxpayers need guidance regarding how these statutory changes impact them. A proposed amendment, which covers the same material, is published in this issue of the **Missouri Register**. The scope of this emergency amendment is limited to the circumstances creating the emergency and complies with the protections extended in the **Missouri** and **United States Constitutions**. The director believes this emergency amendment is fair to all interested persons and parties under the circumstances. This emergency amendment filed Aug. ____, 2007, effective Aug. 28, 2007, expires Feb. 23, 2008.*

(1) In general, purchases of ingredients or component parts are exempt from tax if they blend with the final product and are intended to and do become a part of the finished product. In addition, *[certain]* materials that are consumed in the manufactur[e]ing, **processing, compounding, mining, producing or fabricating** of *[steel]* products intended to be sold ultimately for final use or consumption are exempt from tax.

(4) Examples.

(A) A toy manufacturer purchases wood, glue, **and** paint *[and sandpaper]* to use in the manufacturing of wooden rocking horses. The purchases of wood, glue and paint are exempt from tax. *[The purchase of sandpaper is taxable.]*

(B) A restaurant purchases apple wood to use in the smoking of foods. The restaurant burns the wood in a closed chamber, called a smoker, in which it places the food. The burning wood releases compounds, and small but measurable quantities of the compounds enter and permeate the food. Because a part of the wood, in the form of smoke particles, blends with and remains as part of the finished product, the apple wood may be purchased tax exempt as an ingredient or component part.

(C) An automobile manufacturer purchases *[soap and]* wax to *[wash and]* wax all automobiles as they leave the manufacturing plant. *[Some soap residue remains with the automobiles when they leave the plant. The soap does not qualify as an ingredient or component part because it is not intended to remain with the product.]* The wax *[does qualify]* **qualifies** as a component part because it is intended to remain with the product.

(D) A steel mill purchases firebrick and various gases to be used in the production of steel. These purchases are exempt.

(E) A steel fabricator purchases welding rods *[and gases]* for use in fabricating a product out of steel plates. The welding rods are exempt because *[it]* **they** become~~s~~ a component part of new personal property. *[Even though the gases are consumed in the fabrication process, the gases are not exempt because the new personal property does not qualify as a steel product.]*

[(F) A foundry creates a steel product by casting molten steel. After casting, a cleaning solution is poured over the product to remove impurities from the surface. The cleaning solution is not exempt because it is does not blend, react or interact with a component part or ingredient of the steel product.]

AUTHORITY: section 144.270, RSMo [1994] **2000**. Original rule filed Aug. 30, 2000, effective March 30, 2001. Emergency amendment filed Aug. ____, 2007, effective Aug. 28, 2007, expires Feb. 23, 2008. A proposed amendment, which covers the same material, is published in this issue of the **Missouri Register**.